



# NC FIRST COMMISSION MEETING MINUTES

**DATE:** July 31, 2020

**TIME:** 9:00 a.m.

**LOCATION:** Transportation Board Room, Room 150 and via GoToMeeting

<b>MEETING CALLED BY</b>	Co-Chair Ward Nye
<b>COMMISSION ATTENDEES</b>	<p>Attending:</p> <ul style="list-style-type: none"> <li>• The Honorable Nancy McFarlane, Co-Chair</li> <li>• Ward Nye, Co-Chair</li> <li>• Aaron Chatterji, Ph.D.</li> <li>• The Honorable Janet Cowell</li> <li>• Stephen De May</li> <li>• The Honorable Julie Eiselt</li> <li>• The Honorable William Lapsley</li> <li>• Sallie Shuping-Russell</li> <li>• Michael Walden</li> <li>• Patrick Woodie</li> <li>• Secretary Eric Boyette (Advisory Member)</li> <li>• Tony Lathrop (Advisory Member)</li> </ul> <p>Absent:</p> <ul style="list-style-type: none"> <li>• Jesse Cureton</li> <li>• The Honorable Brenda Lyerly</li> <li>• Kim Saunders</li> </ul>

## AGENDA TOPICS

<b>1. CALL TO ORDER AND OPENING REMARKS - WARD NYE, CO-CHAIR</b>	
<b>DISCUSSION SUMMARY</b>	<p>The meeting was called to order by Co-Chair Ward Nye at 9:00 a.m.</p> <p>Co-Chair Ward Nye began with congratulations to Peter Hans who will begin a well-deserved new role as the president of the UNC System. This will necessitate him stepping down from the Commission. His attendance, voice and vision on the NC F1RST Commission will be missed and we wish him all the best.</p> <p>Congratulations were also extended to Secretary Boyette who has been confirmed by the NC Senate as Secretary of NCDOT. The advisory role has therefore been shifted from former Secretary Trogdon to Secretary Boyette. Former Secretary Trogdon assembled an exceptional group of people on this Commission; his vast expertise will continue to be used whenever it is needed.</p>
<b>2. NCDOT UPDATE - Eric Boyette, Secretary, North Carolina Department of Transportation</b>	



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<b>DISCUSSION SUMMARY</b>	<p>Key points from Secretary Boyette’s presentation included:</p> <ul style="list-style-type: none"> <li>• We are above the cash floor, currently averaging just below \$400 million. We have done a great job on our AP account by keeping our vendors paid; that amount has been kept below \$50 million for this week, which is a drastic drop for us.</li> <li>• We are looking at other ways reduce our spending:             <ul style="list-style-type: none"> <li>○ Furloughs for employees (one of the toughest the Secretary has had to do in his career; but we have strong, dependable employees who get the job done and understand the services they provide to our citizens)</li> <li>○ Working with our RPOs and MPOs on prioritization of next projects and previous prioritization of projects - what can we do to help them since we have no federal funding for FAST projects. We want to stay in balance on our cash, continue with increase in cash balance, and stay fiscally responsible.</li> <li>○ Working with congressional partners; a few calls this week on the stimulus four package; however, we are having some difficulties with federal issues. We are very keen on this not only for transportation funding that we may receive, but also modifications to the CARES act. We have \$300 million set aside that we are working towards back funding some of our revenue loss; we’ve had great conversations and we have some great promises from our partners; we are very positive about that. It has helped increased our cash balance.</li> </ul> </li> <li>• We have a DMV office from New Bern Ave that is moving to Rocky Mount - this move begins this weekend. There was a pilot move a few weeks ago. The new facility is ready to be occupied, he toured it, free parking, technology in new building is very impressive. The Commissioner and his team have done a great job in making this a DMV for the future, preparing staff, and providing a great training facility.</li> <li>• We have activated the Joint Forces Headquarters this morning to monitor the storms through the weekend and beyond. We are already preparing for the weather: we met with Ferry Division offices and we are ready to react to any storms that threaten our coast and our state.</li> </ul> <p>Questions and comments included:</p> <ul style="list-style-type: none"> <li>• A comment from Co-Chair Nye stating that the American Association of State Highway Transportation Officials (AASHTO) is advocating strongly for a stimulus of about \$37 billion which will go towards DOTs across the country. Co-Chair Nye requested advice on anything we can do to further that cause. Secretary Boyette suggested advising that we are the biggest developer in the state; if we have funding, we can employ a lot of business who will employ a lot of people. As things move along maybe we can see some transportation funding, which wasn’t included in the original bill. If you need help with that, then talk about job numbers and formulas. The NC House approves of us, where transportation is seen as a stimulus for job growth, but we are struggling in the NC Senate.</li> </ul>
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<b>3. MILES-BASED USER FEE SURVEY AND ANALYSIS OF DRIVING PATTERNS - Patricia Hendren, Ph.D., Executive Director, The Eastern Transportation Coalition</b>	
<b>DISCUSSION SUMMARY</b>	<p>Key points from Dr. Hendren’s presentation included:</p> <ul style="list-style-type: none"> <li>• The Eastern Transportation Coalition does a lot more than just the interstate, roads and bridges; we focus on multi-modal work and all roads all over the state, so we changed our name from I-95 Corridor Coalition.</li> <li>• All states are struggling with a sustainable funding source for transportation systems, but east-coast states are different: they are smaller, have a lot of travel across state lines and deal with many weather challenges. Mileage-based user fees (MBUF) system means shifting from a fuel tax-based approach to a distance-based approach to see if that will provide the sustainable funding</li> <li>• The Coalition entered into a grant program called Surface Transportation System Funding Alternatives (STSA) Grants, winning four grants to focus on the unique characteristics of the east coast:             <ul style="list-style-type: none"> <li>○ Out of state mileage: how will travel across boundaries be handled?</li> </ul> </li> </ul>



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- Tolling: What is the relationship between tolling and MBUF?
- Amenities: what can we offer people to make the change from the fuel tax more acceptable?
- Trucking: How would the user fee work in a complicated trucking environment which is heavily regulated?
- NC residents were surveyed in April asking what they thought about MBUF. The results showed a few of the following opinions:
  - There is a real connection between transportation and quality of life.
  - Elected leaders should be focused on Infrastructure and Roads (top-tier issue).
  - There is no funding need for transportation (69% think current level is OK).
  - Once an explanation is given, MBUF is mostly viewed as fair, but they're split on implementing MBUF as an alternative funding method. However, most believe that the Gas Tax is out of date
  - If the state rolls out an MBUF program, most are in favor of a voluntary program or having it focusing on trucks.
  - It seems unfair to rural areas: longer distances to drive with lower fuel-efficiency vehicles.
- There is a strong reaction when we talk about a distance fee, thinking it would be unfair to rural communities. A Household Level analysis was done, showing what MBUF means for households (rural and others), using census data, NC DMV data and LATCH (Local Area Travel Characteristics of Households) data. NC was divided into 5 Geographies (Large Metro Urban, Large Metro Suburban, Small Urban, Mixed, Rural). Findings included:
  - The estimated daily household vehicle miles travelled is higher for Mixed
  - Average fuel efficiency for vehicles is lower in Rural areas.
  - Fuel types vary by geography with electric having a larger share in Large Metro and Suburban areas
  - There would be minimal changes under MBUF. The bar graphs show that in the Large Metro Urban areas there will be an average \$17 increase; data shows that Rural communities will experience a \$17 decrease. This analysis is based on a 1-1 shift; the per mile rate is based on the current fuel tax in NC.
  - Drivers pay for what they use: hybrid, plug-in hybrid electric vehicles (PHEV), electric vehicles will pay an increased percentage of fees. They are saving on fuel with Gas Tax; however, with a shift to a MBUF they will still be saving on fuel, which is the real cost of driving a vehicle.

Questions and comments at this point included:

- A query on how we would set our rates, what would this look like if we had a different rate. That can be looked into, but that is where policy comes in. This shows a Revenue-neutral approach.
- The data shows a 200% difference between LM Urban and Rural: a difference of less than \$20. How much is \$20 worth to most people? A lot of our residents are hurting right now, so \$20 could be a lot.
- The two key factors are the number of miles driven on a daily basis and the type of vehicle.
- A request for additional information: what % of the total gas tax collections is represented by each of these 5 Geographies? We can work on getting that info to everyone. It seems that there are fewer drivers in those rural communities than in the urban communities.
- This is a total replacement consideration. Can we consider a mixture of the two: Gas Tax and MBUF? That approach is gaining momentum across the country: instead of a registration fee, drivers would have an option to enroll in MBUF. This analysis is a start, but we don't know where it will go in the future. We need to educate people, then grapple with how we are practically going to do this.

Dr. Hendren continued with the presentation:

- The MBUF Pilot in NC provides real-world experience for NC residents: put a device in your vehicle and find out how much you are paying and what you would pay under a MBUF approach. We found out that when knowledge was increased, privacy concerns dropped. If you are interested, sign up by talking to Dr. Hendren or Anna Cameron. The pilot dates will be August 1 - Dec 31, 2020. We want people who are engaged with this topic; right now, 135 out of 150 are recruited.



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	<ul style="list-style-type: none"> <li>• What does all this mean for NC? We can learn from other states and lay out options for our state for finding a sustainable source. The work from these grants will help NC move forward. There is not just one path forward, a combination of paths.</li> </ul> <p>Questions and comments at this point included:</p> <ul style="list-style-type: none"> <li>• A question on the Pilot, verifying that it is not an actual exchange of funds, but rather a simulation payment based on the data from the vehicle, showing what the data would be if we were actually enrolled in a MBUF plan, comparing to the Gas Tax. A monthly statement is provided showing the Fuel Tax approach (what you do pay), and distance based approach (what you would pay). Data will be destroyed 30 days after the pilot; same as done last year. A Commission member recommended the Pilot: last year he simply put in the device under his steering wheel, and it provided great information.</li> <li>• A query on how to handle a big picture problem of interstate traffic and trucks going through. Is the solution for capturing that revenue to get to the point to where most states are cooperating on this program, and agree to allocate funds? We are trying to bring NC's voice and our neighbors' voices into this, but we can't make this shift without multiple states shifting as well. The out of state travel is too large. We do have good examples in the International Fuel Tax Agreement (IFTA) and the tolling industry from which to start.</li> <li>• A comment that we are at the technological point where vehicles can inform the manufacturer of location and direction, however there must be an agreement in place. This is a national challenge as we work towards connected vehicles since there is a question on who owns that information. The technology in vehicles is not the barrier; it's how to access that data. One commissioner member advised that she legally owned her data and had to sign it over to participate in a study.</li> <li>• A question on how effective the pilots will be, and how the money will be transferred to DOT/DMV. That will need to be figured out.</li> </ul>
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<b>4. MODERNIZING EXISTING REVENUE SOURCES - Anna Cameron, Deputy Director, Office of Strategic Initiatives and Program Support</b>	
<b>DISCUSSION SUMMARY</b>	<p>Key points from Ms. Cameron's presentation included:</p> <ul style="list-style-type: none"> <li>• NC Motor Fuel Tax: The NC motor fuel tax is formula-based; a new formula went into effect January 2017.             <ul style="list-style-type: none"> <li>○ The MBUF could be a replacement, but it won't happen in the next few years, so we have to look at the motor fuels tax and see what we can do to make the formula work.</li> <li>○ NC is perceived as a high gas tax state; this is true when compared to our neighbors, but average across the country. Diesel is associated with commercial travel, and those vehicles cause the most road damage. It is perceived as fair by most states that they should be taxed higher.</li> <li>○ There are many refunds and exemptions to the Motor Fuels Tax. Two items to focus on are the one for nonprofits and the 1% discount for paying on time. Other states are repealing the timely payment discount.</li> <li>○ Options for consideration for the fuel tax include a sales tax in addition/lieu of motor fuels tax, the MBUF, an increase fuel taxes, reduction/elimination of refunds or exemptions, application of separate excise taxes on some items where funds are diverted from NCDOT, authorization of local option motor fuels taxes and adjusting the fuel tax formula.</li> </ul> </li> <li>• Highway Use Tax (HUT): NC rate of 3% is among the lowest in the nation; the rate has never been adjusted. Revenues from HUT are restructured so they are put into the Highway Trust Fund.             <ul style="list-style-type: none"> <li>○ Options for consideration for the HUT include raising the tax rate, eliminate, apply a cap or vary the rate based on purchase price, eliminate or raise existing \$2000 cap on Class A &amp; B vehicles and authorize local option tax.</li> </ul> </li> </ul>



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	<ul style="list-style-type: none"> <li>• DMV Registration Fees: The NCDMV registration fees vary by weight. There was a rate increase of 30% on July 1, 2020. Other states have flat fees, a combination of weight and miles travelled fee, miles-based fee or the fee is based on weight, vehicle age, horsepower or vehicle value.             <ul style="list-style-type: none"> <li>○ Options for consideration for the DMV Registration Fees: increase personal vehicle registration fees, vary certain fees to account for vehicle weight (road damage), annual maintenance fee and application of yearly inflationary adjustment.</li> </ul> </li> <li>• Ferry Tolling: : NCDOT has seven ferry routes, three of which are tolled; add tolls to the remaining four routes.</li> <li>• General Fund Transfers: receipt of revenues from short-term rental leases, vehicle subscription services and car sharing companies and sales tax on transportation-related goods and services. Other options include sales tax on e-commerce and shipping.</li> </ul> <p>Questions and comments included:</p> <ul style="list-style-type: none"> <li>• A query on whether it is within the NCDOT’s authority to apply separate excise taxes on some items where funds are diverted from NCDOT, or will it require act of legislature? It will require an act of legislature.</li> <li>• A request for the number of local option motor fuels taxes in NC, and whether the revenue generated would go to the local government or to NCDOT. There are none in NC, however if there were, it would depend on structure; the local government could determine how those funds are spent. There was an additional comment, stating that if local people knew that the local option motor fuels tax could bring in revenue locally, they might be all over that option.</li> <li>• A comment on ride-sharing companies: currently they pay an annual fee of \$5000, which is not shared at the local level; this is an opportunity for us to look into the tax revenue opportunity from ride-shares.</li> </ul>
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<b>5. COMMISSION DISCUSSION - Co-Chairs Ward Nye and Nancy McFarlane</b>	
<b>DISCUSSION SUMMARY</b>	<p>Ward Nye took a moment to thank everyone for their engagement and asked the group for broad commentary as the meeting was closed out. He began with several non-exclusive concepts or notions:</p> <ul style="list-style-type: none"> <li>• Do no near-term harm</li> <li>• Don’t abandon tools that have worked, while looking at new funding choices that are thoughtful and durable</li> <li>• Employ an array of diverse sources</li> <li>• Assure that we have nexus maintained between proposed fee and wear and tear on our infrastructure</li> </ul> <p>Mr. Nye’s Top Ten list:</p> <ol style="list-style-type: none"> <li>1. Reset the formula and index the Motor Fuel Tax but mandate a floor</li> <li>2. Look at HUT as a regional average; revisit within reasonable time period</li> <li>3. Adjust DMV fees upwardly using heavier weights and/or higher emissions as primary criteria</li> <li>4. Impose alternative Highway Use fees on vehicle subscription services</li> <li>5. Expand tolling with broadened flexibility on the use of the generated funds</li> <li>6. Look at MBUF, using annual inspection process for most vehicles while offering a GPS alternative for those who travel extensively out of state</li> <li>7. Look at some way to have a fee on when electric vehicles are plugged in</li> <li>8. Tax on transportation network companies (such as Uber and Lyft)</li> <li>9. Dedicated sales tax from auto parts, accessories and related services</li> <li>10. Fee or tax attached to Bills of Lading relative to e-commerce deliveries</li> </ol> <p>Questions or comments on Mr. Nye’s Top Ten list included:</p> <ul style="list-style-type: none"> <li>• A comment that the list was very thoughtful</li> </ul>



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	<ul style="list-style-type: none"> <li>A request for understanding on how to categorize the ideas mentioned and whether the legislature will have to act on these recommendations. Ms. Cameron answered, advising that we will be giving everyone in this meeting a chance to give initial thoughts. From those, we are looking to give recommendations to the Secretary, who will give the recommendations to the legislature.</li> </ul> <p>Each Commission member as well as Mike Fox, Chairman of the Board of Transportation, was given the opportunity for commentary and opinions on recommendations to the Secretary.</p>
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<b>6. REVIEW OF WORK, Anna Cameron, Deputy Director, Office of Strategic Initiatives and Program Support</b>	
<b>DISCUSSION SUMMARY</b>	<p>Key points from Ms. Cameron’s presentation included</p> <ul style="list-style-type: none"> <li>The purpose of the Commission is to find a way to modernize and sustain future revenues to operate and support the department.</li> <li>Ms. Cameron requested that the Commission members should tackle this by work group:             <ol style="list-style-type: none"> <li>What to do about local revenues and look at funding transportation for cities</li> <li>Look at issues around debt, private investment, value capture and air rights</li> </ol> </li> </ul> <p>Questions and comments included:</p> <ul style="list-style-type: none"> <li>A query from Mr. Nye, asking if there were any objections to breaking into work groups. Hearing none, staff should reach out and coordinate what those work groups should look like.</li> <li>If any Commission member wishes to submit feedback on special areas, or if there are areas that you do not want the Commission to focus on, please contact staff.</li> </ul>

Meeting Adjourned: 11:58 a.m.

Next Meeting date is Friday, September 25, 2020 at 9:00 a.m. This meeting will be live streamed on the NC FIRST Commission website at [NC FIRST Commission](#)

NC FIRST Commission meeting minutes submitted by Becky Boone, Governance Office